



Performance Based Services Overview

St. Louis Acquisition Insight

Day
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Agenda

- Intro
- Basic Assumptions
- PBA Review – How we got here
- Course Process Review – by step
- Q&A



Basic Assumptions

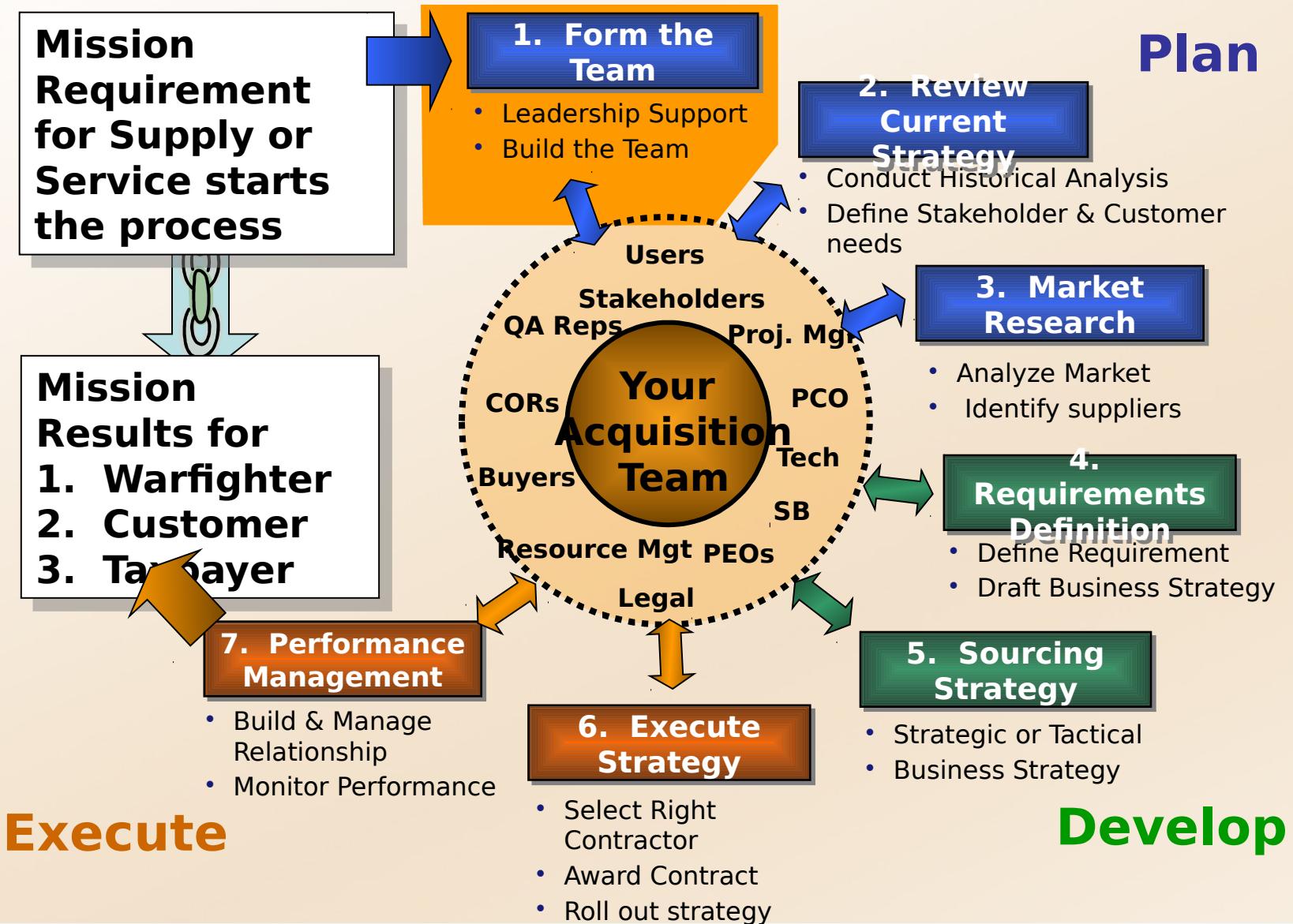
- Government Objectives
- Contractor vs. Government Solutions
- Contractor Quality System with Government Insight (QASP)
- Doing it right to start - saves time, effort and pain - later.



Performance-Based Acquisition

...means structuring all aspects of an *acquisition* around the purpose of the work to be performed with the contract requirements set forth in clear, specific, and objective terms with measurable outcomes as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work.

PBA Process Review





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Step 1: Establish An Integrated
Solutions Team



Establish the Team

What's Important about

Step 1

- Successful acquisitions don't just happen—they take a cohesive and proactive team to be successful
- Get the right people on the team
- Trust and mutual respect is vital
- Support of senior leadership is critical
- A team charter outlines your governance process
- A communications plan informs all

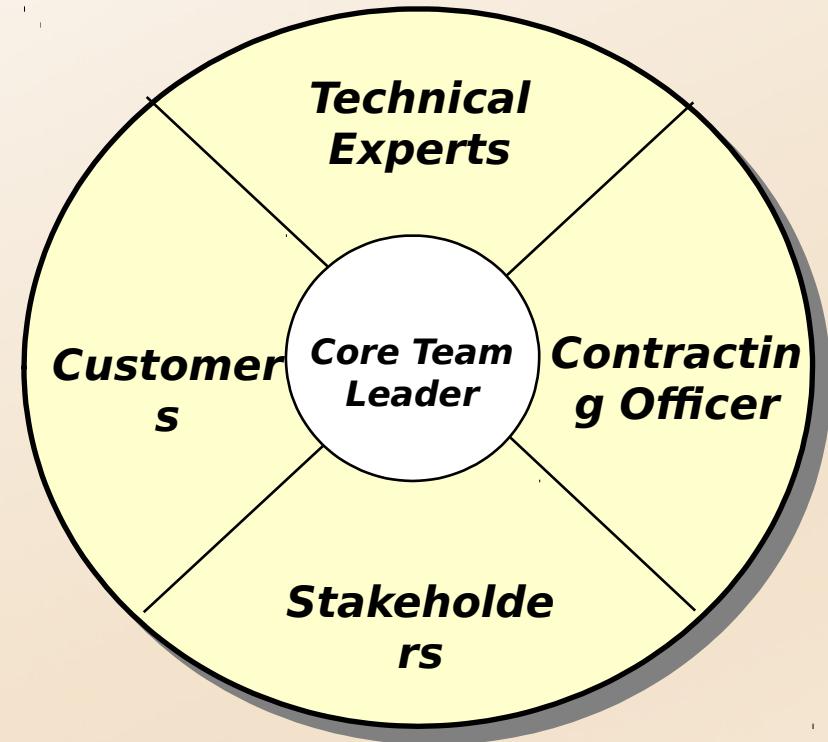
Core Team Member Roles & Responsibilities

- Plan and lead project
- Have ownership and accountability
- Execute project activities rapidly

Typical Core Team Performance Metrics

Issues when they arise

- Solution Cycle (will, process, by step, etc.)
- Project Budget Compliance
- Service Performance Attainment
- Customer Satisfaction (at 3 months, 6 months, etc. after launch)



Key Contacts
That Must be
Identified

Finance
Civilian
Personnel Legal

Leader May Also
Direct a Specific
* Functional Area
Depending on the
Size and Scope of
the Project



Senior Leadership Support

- Senior Leadership involvement and support is a predictor of success
 - “Strong leadership at the top” as a “success factor” in the selection, evaluation and control processes associated with acquisition investment review (*CIO Council document, “Implementing Best Practices: Strategies at Work”*)
- Senior Leadership provides a shared vision
 - Coordinates integrated solution teams that cut across “organizational boundaries”
 - Overcomes “turf battles”
- Creating “buy in” from leadership and establishing the realms of authority are **essential to performance-based project success**



Develop Your Communication Strategy

- What's your team's elevator message – Why should leadership pay attention to your project?
- Effective communication is fundamental to success
- Left in the dark, your stakeholders and customers concerns may grow
- A communication plan should consider the following:
 - Who should be kept informed of status and ongoing actions?
 - How often should they be engaged?
 - What media and methods are best?



Step One Conclusion

- At the completion of step one you should have:
 - Built a team with the right skills, knowledge and motivation to complete the effort
 - Developed initial team charter
 - Identified stakeholders and understand their role in your effort
 - Developed initial communication plan



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Step 2: Review Current Strategy



Review Current Strategy

What's Important about Step 2

- It's important to know where you are before you begin
- Establish a baseline understanding of the current situation
 - Cost, Performance, Schedule
- Asking the following questions
 - What do I need?
 - Why do I need it?
 - When do I need it?
 - How will I know it's good when I get it?
- What do you expect to improve?
 - Service level?
 - Cost?
 - Availability?

- Determine how your Stakeholder(s) defines success
 - Does the current product/service satisfy stakeholder and customer needs?
 - If not, why not? Define this as specifically as possible
- Determine the current level of performance
 - Are the customers currently satisfied?
 - Does this effort require a service level improvement?
 - Could we gain price/cost advantage by realigning expectations in specific areas?
 - Less in some areas, but perhaps a higher level in others?
 - How do your stakeholders and customers



Align Mission And Performance Objectives

- **What is the intended effect of this acquisition toward supporting the agency's mission and performance goals and objectives?**
 - Clearly establish the relationship between the potential impact of the acquisition and the overall performance of the agency acquiring the service
- Focus on what outcome is required not on what resources are needed



A diagram illustrating the alignment process. It consists of three orange arrows pointing from left to right. The top arrow is labeled 'Mission' at its tip. The middle arrow is labeled 'Vision' at its tip. The bottom arrow is labeled 'Strategy' at its tip. To the right of the arrows is a green starburst shape containing the word 'Outcomes'. Below the starburst is another orange arrow pointing to the right, labeled 'Performance' at its tip.

Signing a contract is like giving birth to a baby... it just starts the process!



Misaligned Objectives will NOT lead to success

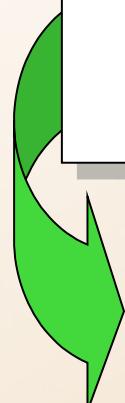




Requirements Roadmap

Acquisition Vision
Desired Outcomes
- A...
- B...
- C...

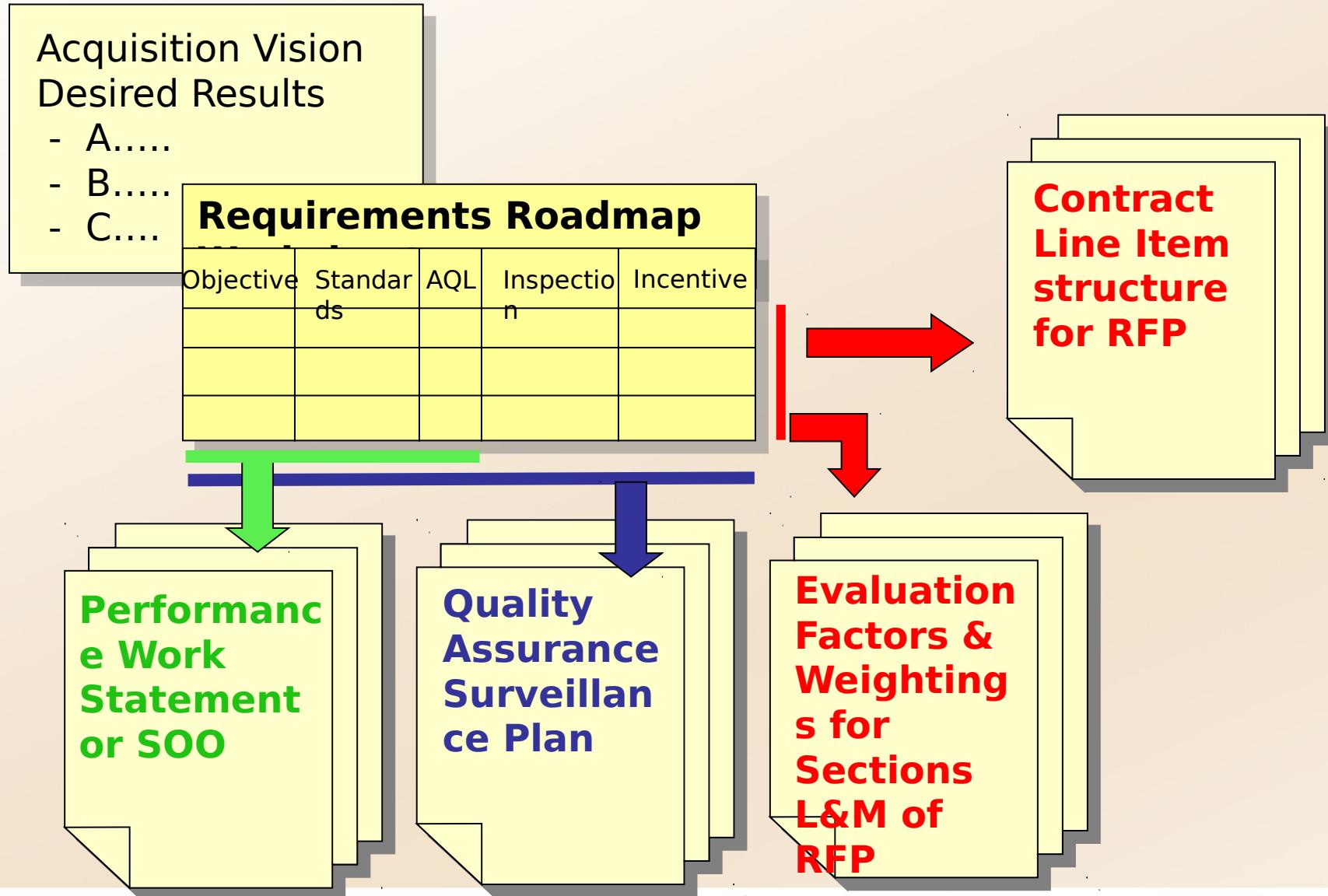
Requirements Roadmap Worksheet



Desired Outcome	Performance			Inspection			Incentive
	Objective	Standard	AQL	Who	Data Source	Calculation	
A....	A -1	Alignment					
	A -2						
	A -3	A -3 a					
		A -3 b					
B....	B -1						
	B -2						



Requirements Roadmap provides Linkage between Mission and Objectives





Step Two Conclusion

- At the completion of step two you should have:
 - Interviewed Stakeholders
 - Completed your baseline assessment
 - Completed your Team Charter
 - Received stakeholder approval of team charter and team's direction



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Step 3: Market Research



Market Research

What's Important about Step 3

- Understand the value of market research
- How to:
 - Identify market trends
 - Analyze the market to discover emerging trends
 - Identify your leverage in the market
- Understand that requesting information from suppliers is critical
- Is this a Commercial service?
- Are there capable Small Businesses?



Step Three Conclusion

- At the completion of step three you should have:
 - Determined if your requirement is commercial or non commercial
 - Developed an interview guide to collect market research information
 - Conducted market research with commercial companies and government agencies (one on one sessions)
 - Identified leading service providers



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Step 4: Requirements Definition



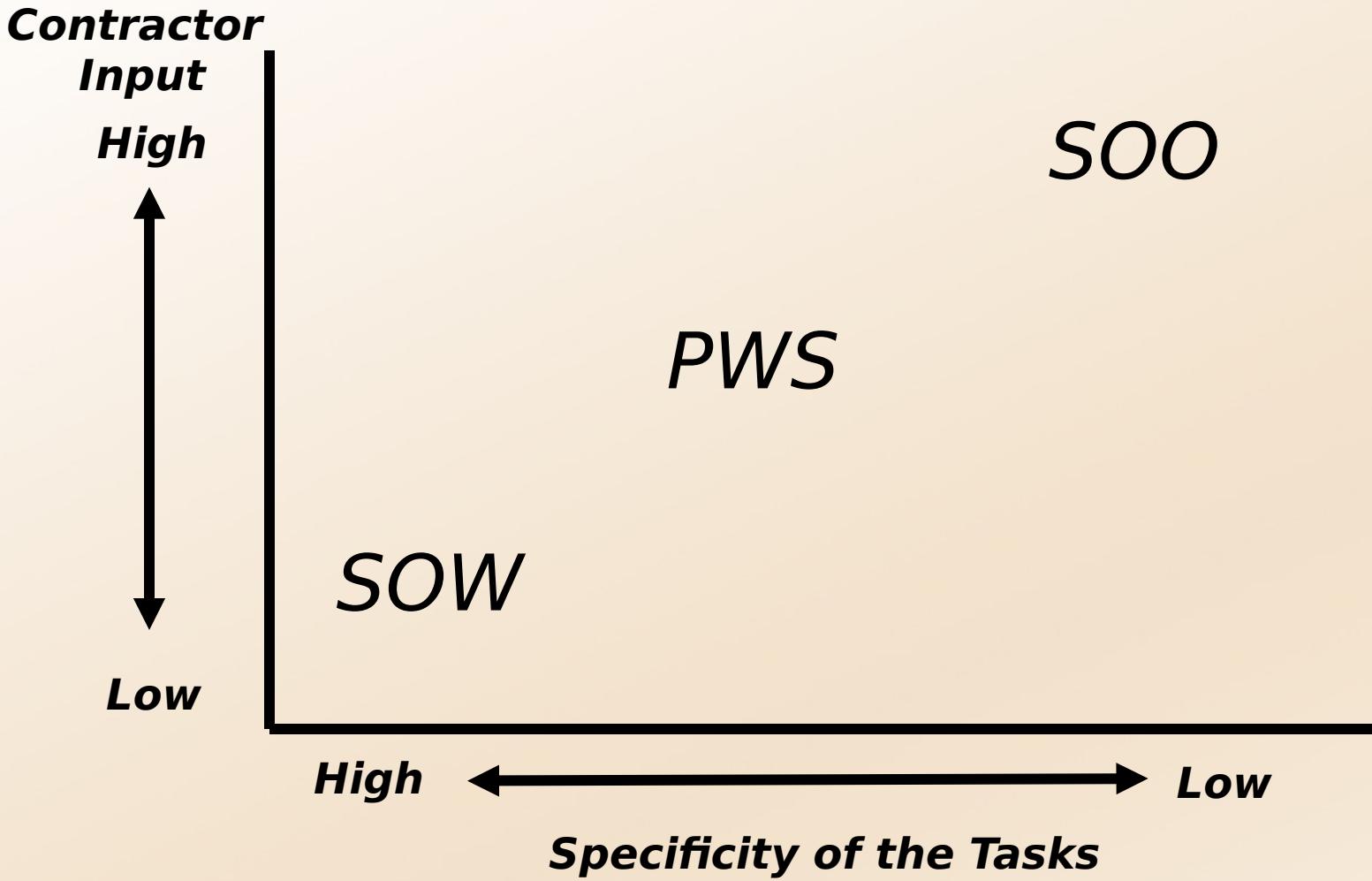
Definition

What's Important about Step 4

- Use your market analysis to develop your requirement
- Understand the risks associated with your requirement
- Identify the right type of requirements document (i.e. SOW, PWS or a SOO)
- Define the performance objectives and standards for your requirement
- Determine how you will validate that the contractor is meeting



Differences between a SOW, PWS and SOO





Defining a SOW

- Statement of Work
 - Team defines the tasks to be accomplished
 - Does not allow innovation on the part of the contractor
 - Details the work the contractor will perform and, if necessary, how it is performed
 - SOWs tend to specify how and when things must be done



Defining a PWS

- Performance Work Statement
 - Defines results to be achieved, and solicits a wide variety of technical solutions from contractors
 - Performance Objectives are defined by the agency
 - Allows for some input and innovation from the contractor
 - Performance results are measurable
 - Performance incentives tied to achievement of performance results (impact of outputs) and may include cost, timeliness, quality and impact of outputs associated with contractor's technical solution
 - Can contain tasks to be accomplished



Defining a SOO

- Statement of Objectives
 - Allows for the greatest input from the contractor
 - Asks for innovation in solutions
 - Most flexible
 - NO tasks are in the SOO
 - A SOO requires a PWS from the contractor
 - The contractor writes the PWS to define how they will meet the performance outcomes



The Performance Roadmap is the KEY to the requirements development process

The Roadmap is the **“Get er Done”** tool teams use to develop their performance work statement (PWS)

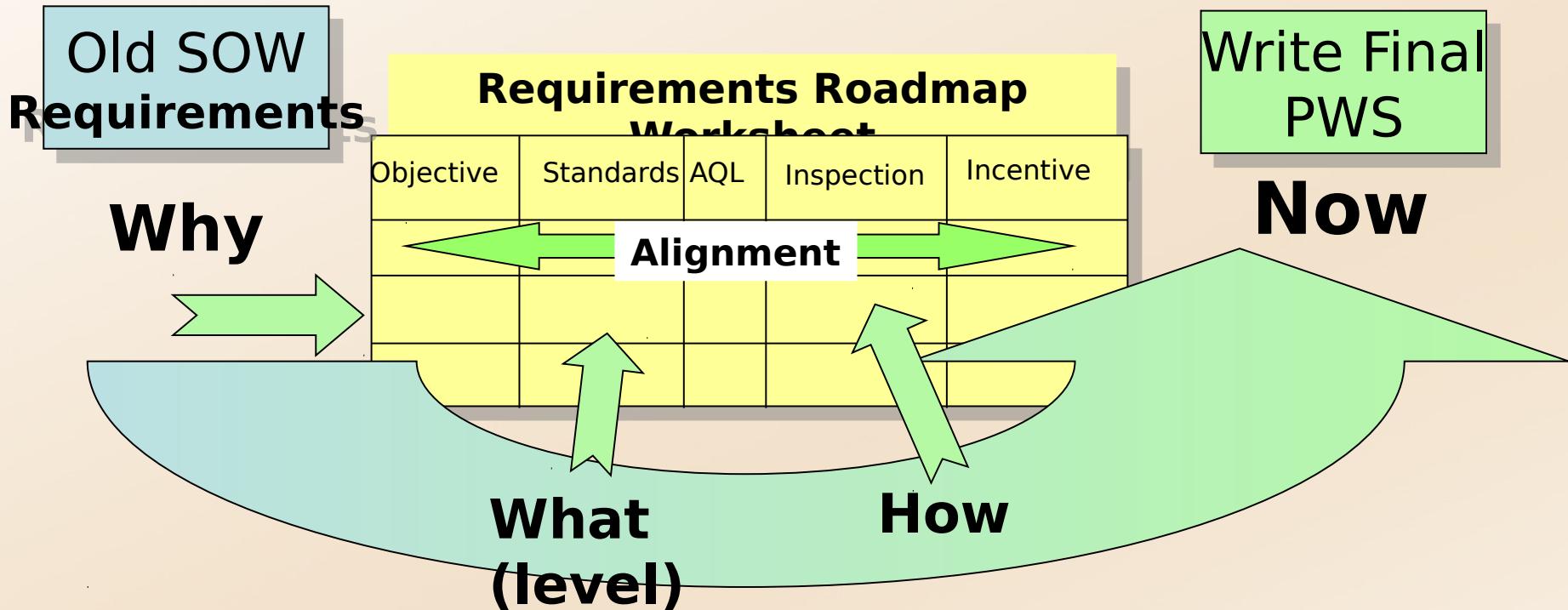
Requirements Roadmap

Objective	Standards	AQL	Inspection	Incentive

- Tailoring and completing a Roadmap focuses the acquisition team on the essential performance and assessment elements
- Provides foundation for the PWS development, best value strategy and contract admin approach

Roadmap Process Map

- Work the Why, What, and How in the Performance Roadmap to get to the Now of writing the PWS



- Using the existing Statement of Work (if there is one)
Brainstorm... with a “Why Analysis”

Why do you need this ?

Old
SOW

- ①
- 1.2.3
- ②
- 2.1.2.3
-
- 3.
- 3.1

Yada
Yada

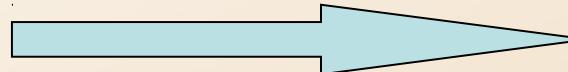
Look at our old SOW
Focus on the header
paragraphs which are normally
the single digit paragraphs



Developing Performance Standards

- An effective Performance Objective has a Performance Standard that lets you 'Know' what level of performance is required to meet the Performance Objective

**After
identifying the
main**



**Define
Performance
Standards for**

**An effective performance
standard must answer the
Question... What Level?**

**"When will I know the
performance objective has
been met?"**

The answer describes your standard

**What Level?
Performance
Obj**

Performance Objectives.....Performance Standards
Performance Objectives.....Performance Standards
Performance Objectives.....Performance Standards
Performance Objectives.....Performance Standards



Developing Performance Standards

What Level

“Performance Objectives.....Performance Standard”

- How do you define success for your Performance Objective?
 - Reliability (System Is Running)
 - Responsiveness (Services Provided On-time)
 - Appearance (Contractor Uniforms)
 - Cleanliness (No Visible Dirt/dust)
 - Customer Satisfaction (You'll Know)



Critical Few Metrics

- How many metrics are enough?
- Too few
 - Not capturing detail required to manage business
- Too many
 - Choked with data
- Rule of 5
 - No more than 3 - 5 **key performance metrics** (KPM)



Define your Tolerance for Variation

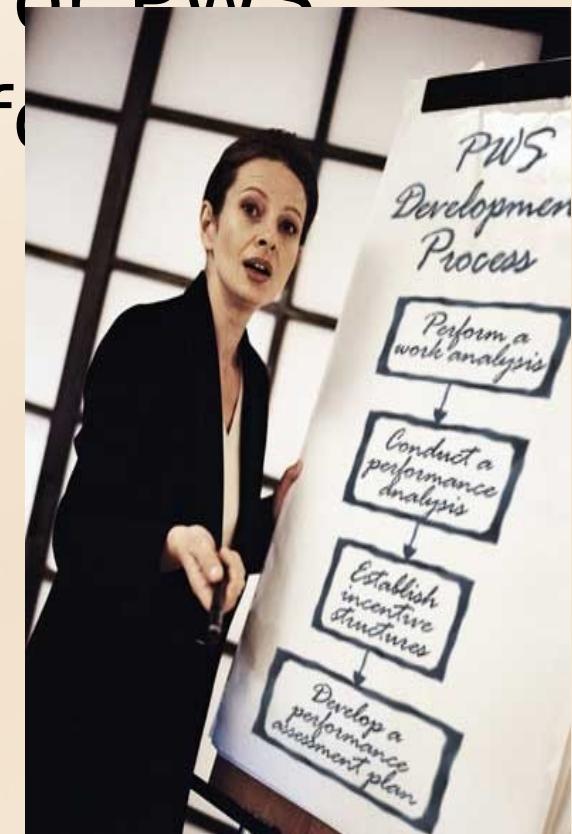
- An AQL is an acceptable deviation from the standard
- However, the contractor is still expected to meet
- ~~the performance standard~~ Is there an allowable range of performance associated with each performance standard ?
 - Perfection comes at a price
- What should you address to determine if an AQL is appropriate ?
 - Will it still achieve my performance objective?
 - Easily understood?
 - Clearly delineated?

Requirements Roadmap

Objective	Standards	AQL	Inspection	Incentive

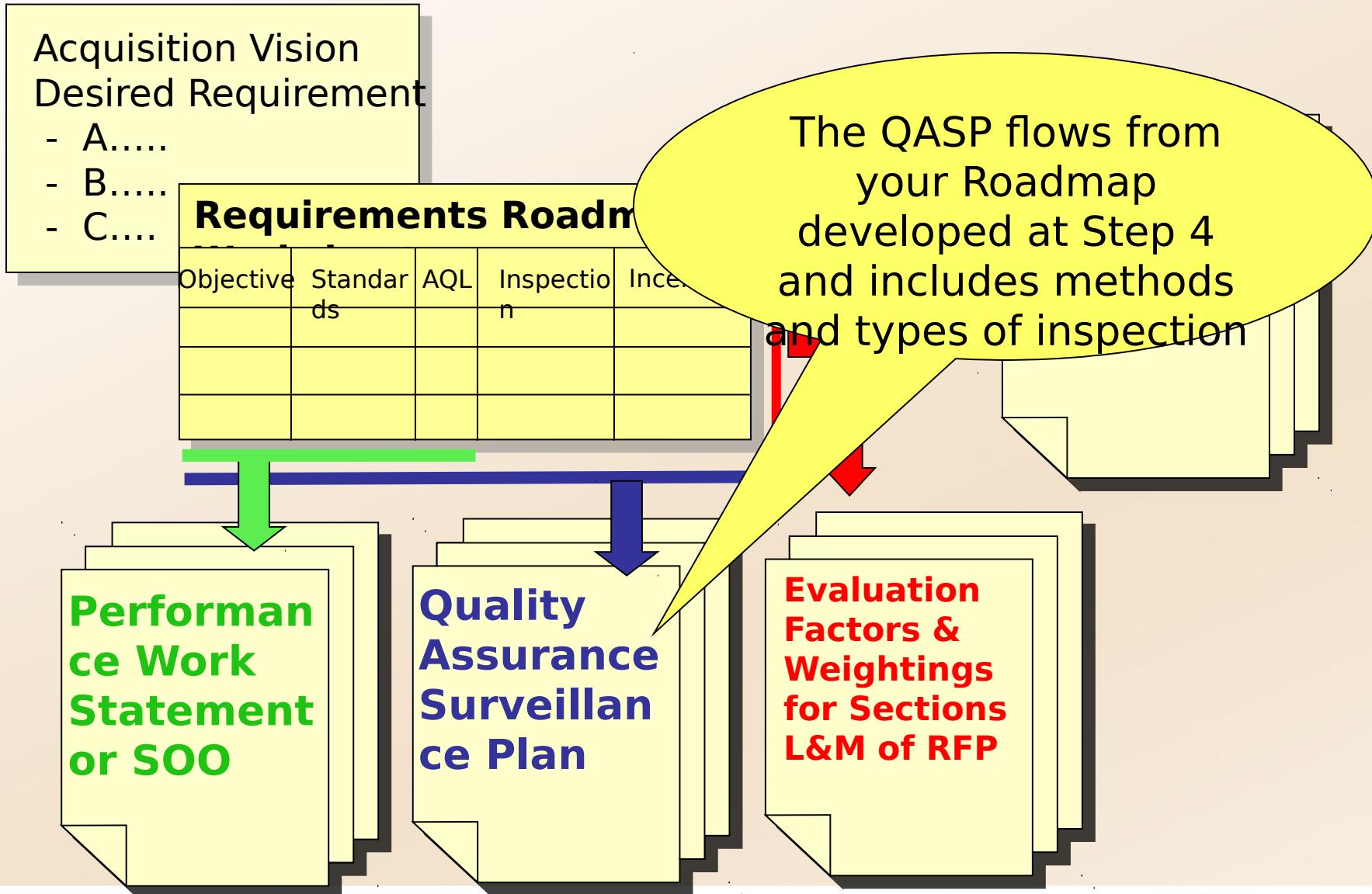
Now Write the PWS

- Requirements Roadmap provides fully developed outline for PWS
- PWS has No mandated format
- Possible sections:
 - Introduction
 - Background information
 - Scope
 - Applicable documents
 - Performance Requirements
 - Special Requirements
 - Deliverables

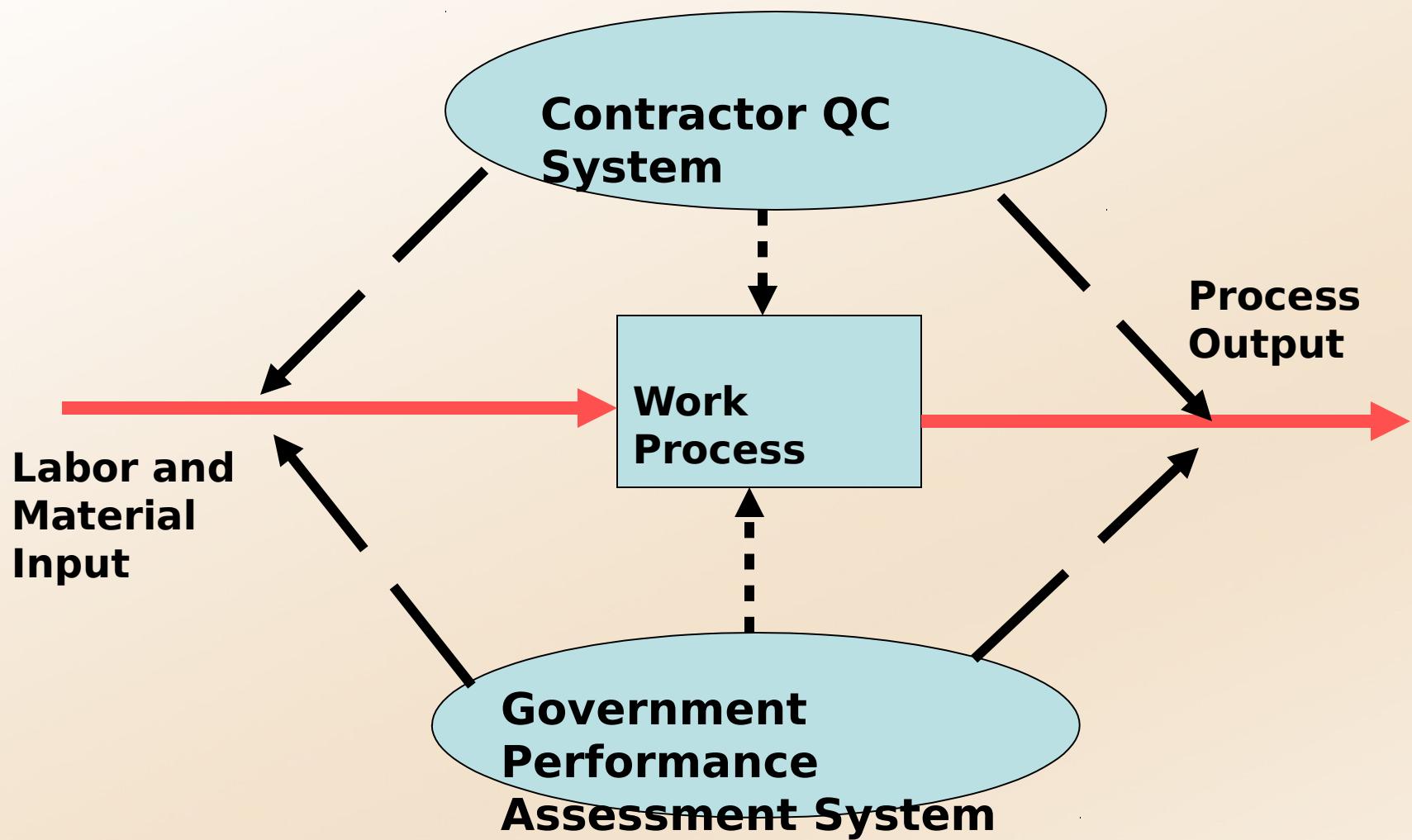


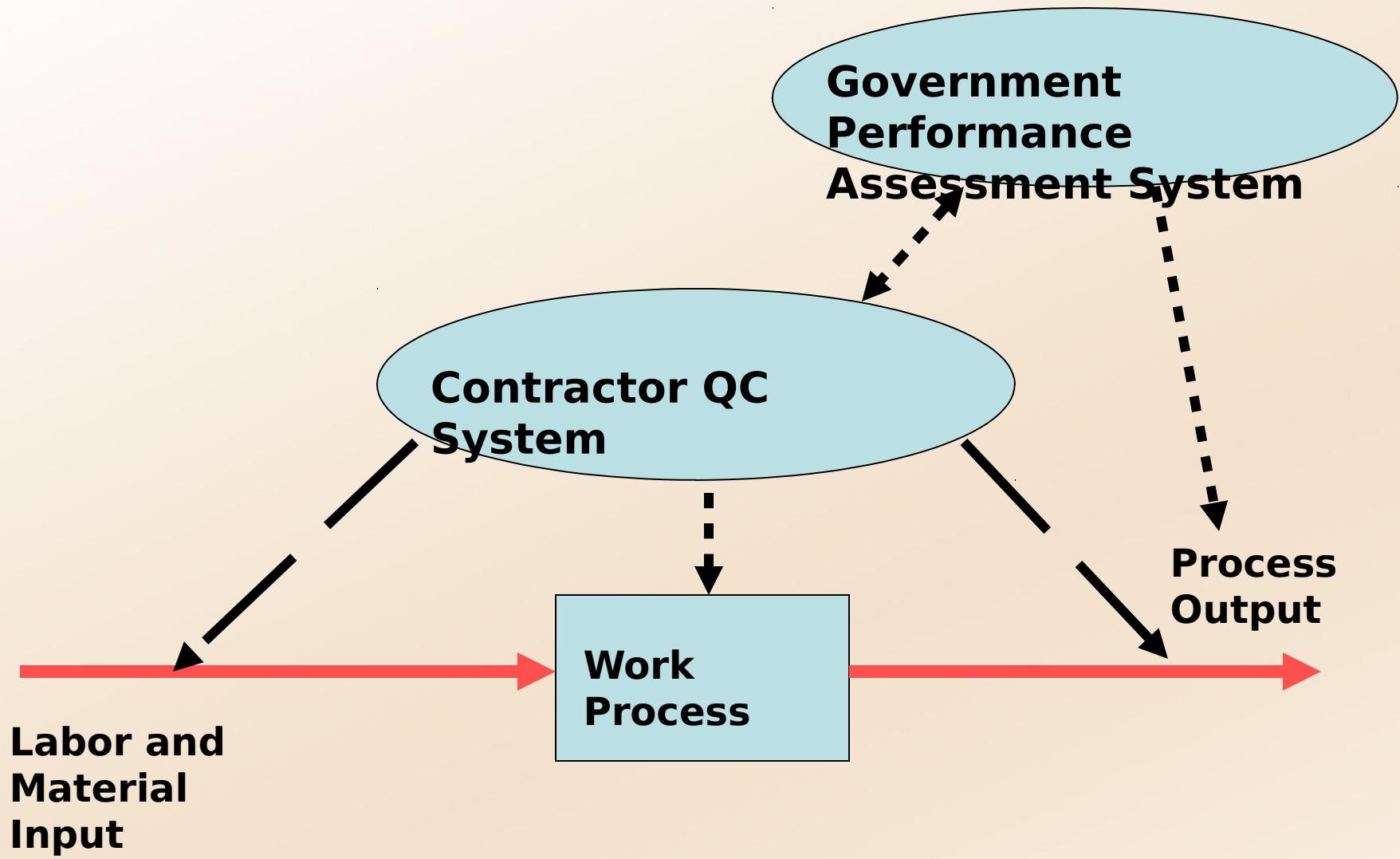


Roadmap is the Foundation for Action



Oversight Surveillance







Step 4 Conclusion

- At the conclusion of step 4 you should have:
 - Identified performance objectives
 - Identified performance standards
 - Identified methods and types of inspection
 - Gained an understanding of PWS, SOO and SOW
 - Used the Requirements Roadmap to develop your initial PWS



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Step 5: Sourcing Strategy



Sourcing Strategy

What's Important about Step 5

- Developing your business strategy
- Determining an appropriate type of contract and incentive arrangement
- Determining your Source Selection approach
- Develop Evaluation Factors if tradeoff method is used



Develop your Incentive Strategy

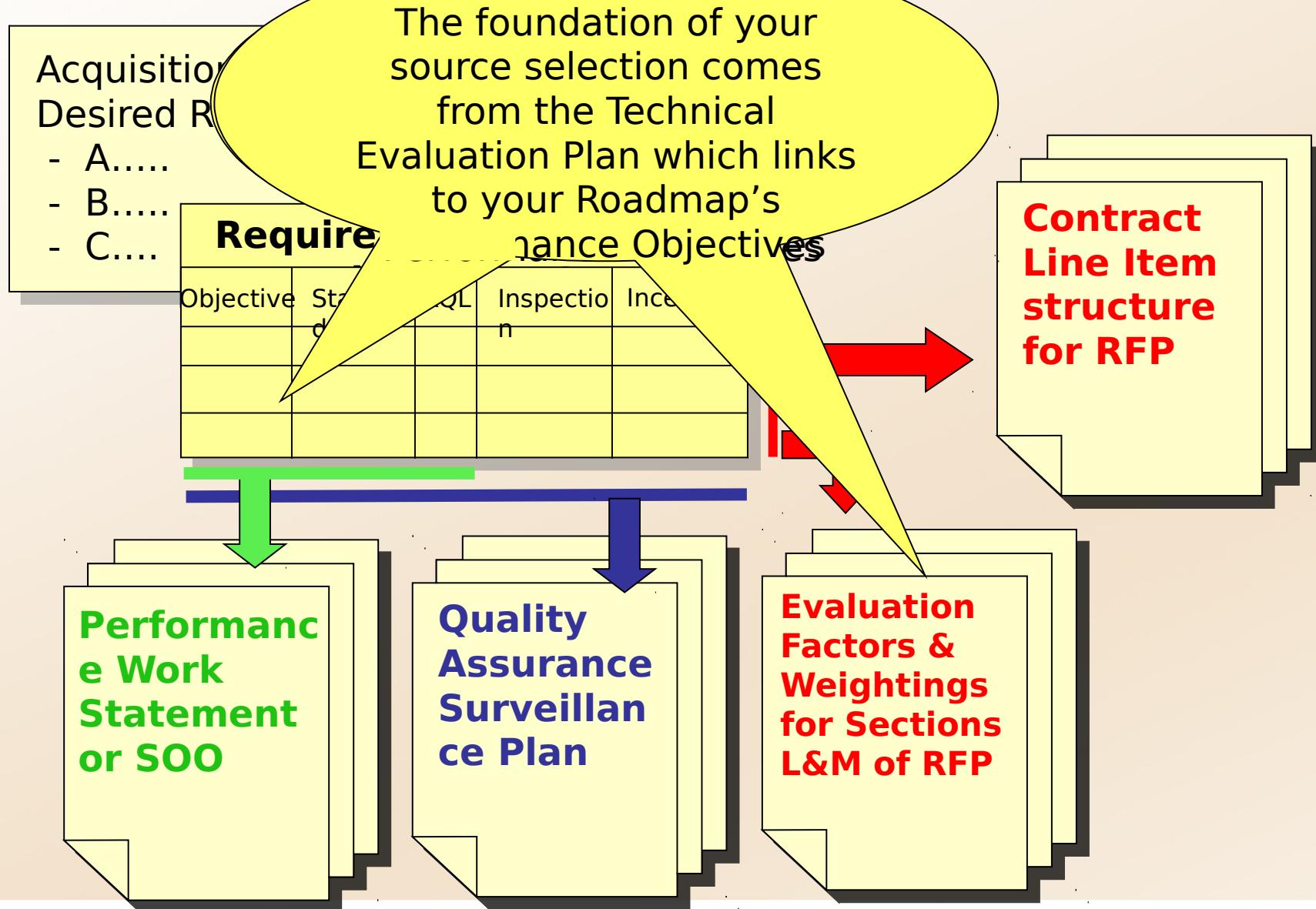
- For Performance Based Acquisitions FAR states that we should “include performance incentives where appropriate”
- As you consider contract type, you need to go back to the Requirements Roadmap, and determine how the incentives (if any) tie back to your



Why Use or Not Use Incentives?

PRO's of Incentives	CON's of Incentives
<p>Incentives</p> <ul style="list-style-type: none">• Promote excellent results and outcomes• Promote internal quality control and remedies• Encourage expertise, teamwork, partnering• Encourage contractor satisfaction/pride in workmanship <p>Monetary incentives</p> <ul style="list-style-type: none">• Promote upper management participation• Promote cost savings <p>Non-monetary incentives</p> <ul style="list-style-type: none">• Promote workforce satisfaction & stability	<ul style="list-style-type: none">• Providers with market power can resist them• They are difficult to use in contracts for experts• Outside factors can influence performance• More work to administer• Conflicting incentives can drive sub optimization• Wrong incentives drive wrong behaviors

Roadmap is the foundation for





Relationship between PWS, Section L, and Section M

The PWS, Section L, and Section M are all tied together. The PWS describes the requirement, Section L describes how the contractor will format and submit their proposal (for evaluation purposes), and Section M describes how the proposal will be evaluated for source selection purposes.

PWS	Section L	Section M
Provide taxi service so that pick-up time is within 5 minutes of request time, 95% of the time.	The offeror shall submit two volumes, each in a separate binder. Volume one contains technical proposal, Volume two contains cost or price proposal. Volume one has a [0] page	The offeror shall describe how taxi service will be provided in accordance with the stated requirement. The agency will evaluate the offeror's approach for the taxi service. The offer will be evaluated for best value, in terms of technical merit and cost, with additional consideration for the offeror's relevant past performance.



Step Five Conclusion

- At the conclusion of step 5 you should have determined:
 - Your complete business strategy
 - The type of contract
 - Performance incentive approach
 - Source selection approach
 - Evaluation Factors if tradeoff method is used



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Step 6: Execute the Strategy



Execute the Strategy

What's Important about Step 6

- How to communicate your requirement to industry
- Understand approval levels
- Issue RFP and receive Proposals
- Conduct evaluations and discussions if needed
- Make the Award
- Transition to new contract performance



Conduct Due Diligence

- Method to ensure “meeting of minds” between government and industry on the requirement and business arrangement
- Open to all prospective offerors
- Held after release of RFP and prior to receipt of proposals
- KO leads team during exchanges between industry and government



Make the Award

- Award based on best value to the government
 - Considering evaluation factors in Section M
- Comply with Agency approval and notification requirements
- Conduct post award conference
 - Finalize QASP based on awarded contract



Step 6 Conclusion

- At the conclusion of step 6 you should be able to:
 - Update comm plan to include awardee
 - Use due diligence if appropriate
 - Issue RFP and receive Proposals
 - Conduct evaluations and discussions if needed
 - Make the Award
 - Finalize QASP based on awarded contract



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Step 7: Manage Performance



Sourcing Strategy

What's Important about Step 7

- Manage performance / transition from Acquisition to Supplier Management
 - Keep the team together and add the contractor
 - Assign accountability for managing contract performance
- Evaluate effectiveness of strategy
- Monitor contract performance using the QASP

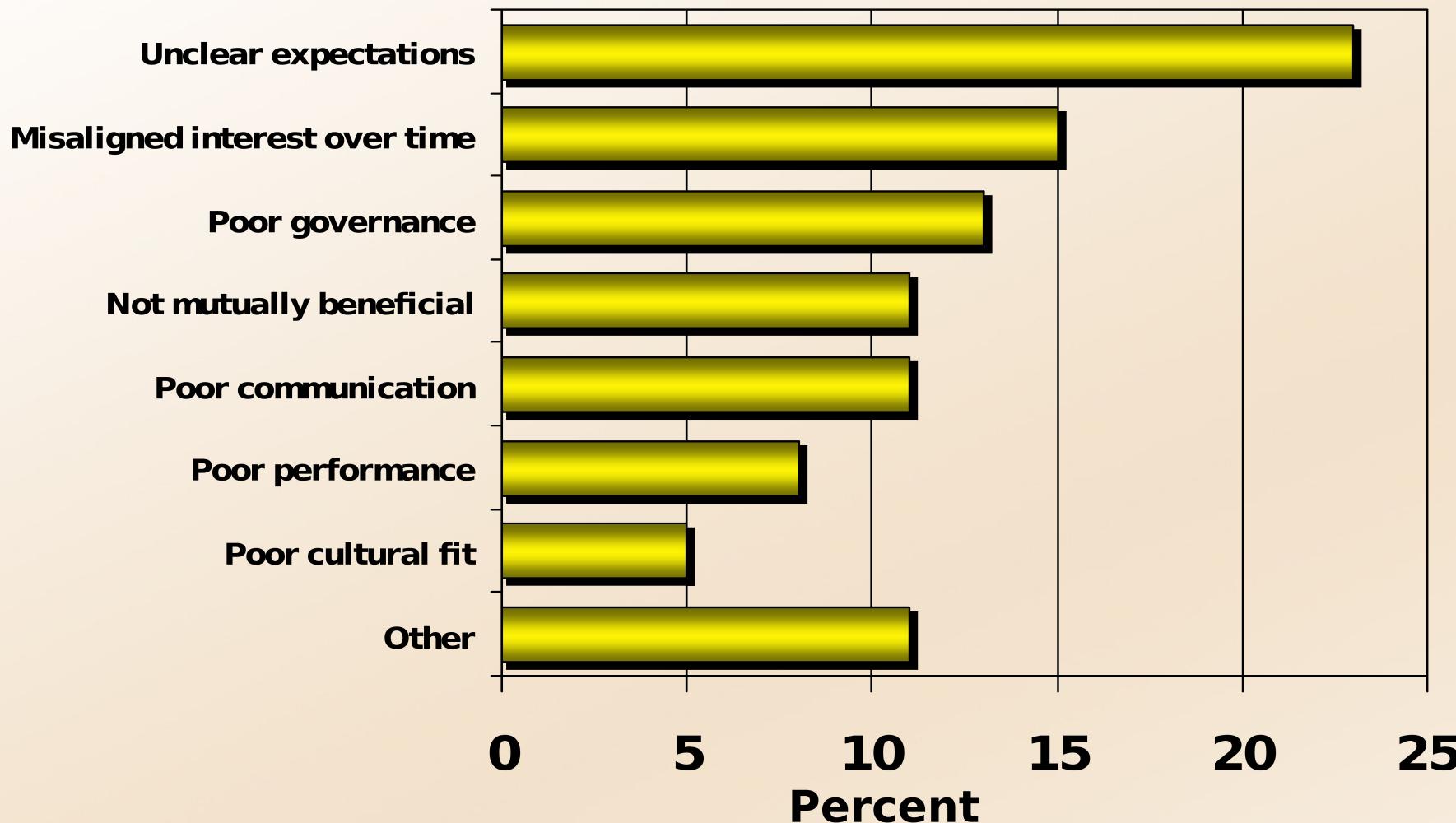


Performance Management

- Performance Management
 - No longer working independently, but as a team realizing its objective
 - Successful performance results are the focus
 - Remedies used, if necessary
 - Quality Assurance Surveillance Plan describes
 - How the team will treat data used to measure performance
 - How the team identifies ways to improve efficiency and reduce risk
 - How the team will work together to make the goals/improvements a reality



Contract Failure Reasons



* Source: [Outsourcing Center 2004 Survey](#). Outsourcing Center, 2004.



Step 7 Conclusion

At the Conclusion of Step 7 you should

- Have your performance management team in place including the contractor
- Be using the QASP effectively to ensure that performance objectives are being met
- Tracking performance trends and results to determine if stakeholder needs are being met
- Communicate performance results to stakeholders and customers

Questions

